



PROPOSED STUDY QUESTIONS Nonprofit Hospitals

State of Washington Joint Legislative Audit and Review Committee

September 2021

JLARC will review a property tax exemption for nonprofit hospitals

The 2006 Legislature directed JLARC staff to conduct performance audits of tax preferences. These preferences are included in the 10-year review schedule set by the Citizen Commission for Performance Measurement of Tax Preferences.

Washington adopted a property tax exemption for “benevolent, charitable, literary, or scientific” institutions at the state’s founding in 1889. In 1973, the Legislature limited the exemption to nonprofit hospitals.

JLARC last reviewed this property tax exemption in 2007.



Inferred intent is to encourage nonprofit hospitals to provide community benefits, including charity care

Statute does not specify an intent for this preference.

Nonprofit hospitals may be eligible for other tax exemptions, including from federal income taxes. To receive federal exemptions, nonprofit hospitals are required to provide community benefits, such as charity care. Charity care is the provision of medical services for which payment is not expected and patients are not billed.

The Legislature required both nonprofit and for-profit hospitals to provide charity care in 1989. While provision of charity care is not required to claim the property tax exemption, JLARC staff infer that the preference’s intent is to encourage hospitals to provide community benefits, including charity care.

This study will address the following questions:

1. To what extent has the preference been used and what are the beneficiary savings?
2. What community benefits do beneficiaries provide?
3. Is there information that allows for a comparison of community benefits between beneficiary and non-beneficiary hospitals?
4. How does the value of beneficiaries’ charity care compare to the tax savings? How does this compare to charity care provided by hospitals that do not benefit from the tax preference?

Study Timeframe

Preliminary Report: July 2022

Proposed Final Report: December 2022

Study Team

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JLARC Study Process

